ENERGY AND ENVIRONMENTAL SERVICES, INC.

FINANCIAL STATEMENTS

Together with Accountants' Compilation Report

CONTENTS

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November 12, 2021

Accountants' Compilation Report

ENERGY AND ENVIRONMENTAL SERVICES, INC.
Board of Directors:

Management is responsible for the accompanying financial statements of Energy and Environmental , Inc., which comprise the consolidated balance sheets as of September 30, 2021 and December 31, 2020 and the related consolidated statements of income for three and nine months ended September 30, 2021 and 2020, the consolidated statements of equity for the nine months ended September 30, 2021 and the year ended December 31, 2020, and the consolidated statements of changes in cash flows for the nine months ended September 30, 2021 and 2020, in accordance with principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Leslie G. Pettitt, PC

ENERGY AND ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,079,900	$ 1,736,900
Accounts receivable - trade (net of reserve for bad debts of $60,700 and $60,700 as of September 30, 2021 and December 31, 2020, respectively)	2,103,400	1,426,300
Inventory	4,010,900	2,990,400
Deferred tax assets	1,105,000	1,105,000
Prepaid expenses and other current asset	448,500	179,400
Total current assets	8,747,700	7,438,000
Property, plant and equipment (net of accumulated depreciation of $3,284,400 and $2,781,800 at September 30, 2021 and December 31, 2020, respectively	5,255,400	5,139,900
Notes receivable	93,400	93,400
Equity investments	41,400	27,500
Goodwill	893,000	893,000
Total assets	$ 15,030,900	$ 13,591,800
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,195,400	$ 956,900
Other current liabilities	54,100	366,600
Short-term notes payable	465,300	475,000
Notes payable - related parties	130,800	142,100
Deferred tax liabilities	293,300	293,300
Current portion of long-term debt	231,600	225,900
Current portion of financial lease obligations	127,700	68,300
Other taxes	58,500	28,600
Total current liabilities	3,556,700	2,556,700
Long-term notes - less current portion	2,885,300	2,849,200
Financial lease obligations - less current portion	170,800	203,300
Stockholders' Equity		
Preferred stock, $0.00001 par value, 20,000,000 shares authorized, no shares issued and outstanding September 30, 2021 and December 31, 2020, respectively	-	-
Common stock, $0.00001 par value, 100,000,000 shares authorized 53,466,143 and 53,575,727 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	500	500
Additional paid in capital	1,894,100	1,916,400
Retained earnings	6,523,500	6,065,700
Total Stockholder's Equity	8,418,100	7,982,600
Total Liabilities and Stockholders' Equity	$ 15,030,900	$ 13,591,800

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ENERGY AND ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Sales revenues	$ 4,068,300	$ 2,477,000	$ 9,985,300	$ 7,304,500
Cost of goods sold	2,196,500	1,383,000	4,395,500	3,636,300
Gross profit	1,871,800	1,094,000	5,589,800	3,668,200
Operating expenses				
Selling general and administrative expenses	1,877,400	1,539,000	5,290,700	5,516,100
Depreciation and amortization	200,100	185,000	567,600	539,500
Total operating expenses	2,077,500	1,724,000	5,858,300	6,055,600
Loss from operations	(205,700)	(630,000)	(268,500)	(2,387,400)
Other income (expense)				
Payroll protection loan forgivness	-	-	787,000	-
Other revenues	28,400	16,100	73,300	21,700
Gain on sale of assets	11,500		11,500	(1,400)
Interest and finance costs	(57,400)	(20,800)	(145,500)	(88,400)
(Loss) income from operations before income ta	(223,200)	(634,700)	457,800	(2,455,500)
Benefit from income tax				
Current income tax benefit	-	-	-	-
Deferred income tax expense	-	-	-	-
	-	-	-	-
Net (loss) income	$ (223,200)	$ (634,700)	$ 457,800	$ (2,455,500)
(Loss) income per share	$ -	$ (0.01)	$ 0.01	$ (0.05)
Weighted average shares outstanding	53,559,051	53,377,963	53,570,107	52,613,438

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ENERGY AND ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND YEAR ENDED DECEMBER 31, 2020

	Common Stock		Preferred Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, December 31, 2019	52,226,974	$ 500	-	$ -	$ 1,887,300	$ 7,807,800	$ 9,695,600
Stock issued for acquisition	1,000,000	-	-	-	-	-	-
Forfeiture of stock compensation	(258,000)	-	-	-	(28,500)	-	(28,500)
Stock based compensation	606,753	-	-	-	57,600	-	57,600
Net loss	-	-	-	-	-	(1,742,100)	(1,742,100)
Balance, December 31, 2020	53,575,727	500	-	-	$ 1,916,400	$ 6,065,700	$ 7,982,600
Forfeiture of stock compensation	(109,584)				(22,300)		(22,300)
Net loss						457,800	457,800
Balance, September 30, 2021	53,466,143	$ 500	-	$ -	$ 1,894,100	$ 6,523,500	$ 8,418,100

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ENERGY AND ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Net income (loss)	$ 457,800	$ (2,455,500)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	567,600	539,500
Allowance for bad debts	-	60,700
Gain on sale of assets	(11,500)	
Payroll protection loan forgivness	(787,000)	-
Stock based compensation	-	50,700
Loss (earnings) from equity method investment	(13,900)	2,500
Net changes in current assets and liabilites		
Accounts Receivable	(677,100)	261,700
Accounts receivable - other	-	-
Inventory	(1,020,500)	201,600
Deferred tax assets	-	-
Prepaid expenses and other current assets	(291,400)	3,900
Accounts payable	1,238,500	423,100
Other current liabilities	(312,500)	324,100
Other taxes	29,900	41,300
Net cash used in operations	(820,100)	(546,400)
Cash flows from investing activities		
Sale of property, plant and equipment	-	13,500
Purchases of property, plant and equipment	(671,600)	(345,300)
Notes receivable	-	17,600
Investment in merger	-	(325,000)
Investment in equity method investment	-	300
Net cash used in investing activities	(671,600)	(638,900)
Cash flows from financing activities		
Payments on notes payable	(416,100)	(1,024,000)
Advances on notes payable	1,223,900	2,775,000
Payments on lease obligations	(174,200)	(65,400)
Advance on lease obligations	201,100	-
Net cash provided by financing activities	834,700	1,685,600
Net (decrease) increase in cash	(657,000)	500,300
Cash and cash equivalents, beginning of period	1,736,900	1,600,600
Cash and cash equivalents, end of period	$ 1,079,900	$ 2,100,900

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ENERGY & ENVIRONMENTAL SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

1. NATURE OF OPERATIONS

Energy and Environmental Services, Inc. (the "Company") was originally incorporated as Energas Resources, Inc in 1989 in British Columbia, Canada as a public company listed on the Vancouver Stock Exchange. In 2001, the Company registered as a Delaware corporation becoming a United States domestic corporation. In 2002, its registration statement filed with the Securities and Exchange Commission became effective and its stock was traded on the Over the Counter Bulletin Board market. On November 1, 2011, the Company voluntarily delisted from the Over the Counter Bulletin Board market and qualified its shares to trade on the OTC pink current information market.

On January 25, 2012, the name of the Company was changed to Enerlabs, Inc. On March 23, 2015, the Company redomiciled the company from Delaware and registered as a Colorado corporation. On October 24, 2016, the Company signed a share exchange with Melvin Smith, the sole shareholder of Energy & Environmental Services, Inc. ("EES"), in which Smith exchanged his EES shares for 32 million shares of the Company. EES became the operating subsidiary of Enerlabs. On December 5, 2016, the name of the Company was changed to Energy and Environmental Services, Inc.

On May 16, 2019, the Company completed the acquisition of Patriot Chemicals & Services, LLC ("Patriot") which became a wholly owned subsidiary of the Company on that date.

On February 1, 2020, the Company completed the acquisition of Abilene Celex Services, LLC ("Celex") which became a wholly owned subsidiary of the Company on that date. See note 3 for complete details of the acquisition of Celex. Effective January 1, 2021, Celex merged with and into Patriot.

The Company, headquartered in Oklahoma City, manufactures specialized liquid and solid chemicals used primarily in the oil and gas industry and high-tech specialized protective coatings for oil and gas and other industrial applications. It also has products under development using enzyme technologies for animal feed supplements and odor solutions. The Company's operations are maintained and occur through its wholly-owned subsidiaries: Enduro-Tech Energy Services, Inc. (formerly EES) ("Enduro-Tech"), Patriot, Enduro-Bond Manufacturing Company, LLC ("EMC"), EcoZyme System Technologies, LLC ("EST") and Celex. Enduro-Tech, Patriot, EMC and EST were formed in the state of Oklahoma.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Enduro-Tech, Patriot, EMC, EST and Celex since February 1, 2020 (the date of acquisition). All significant inter-company items have been eliminated in consolidation.

Use of estimates in the preparation of financial statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid debt instruments purchased with a maturity period of three months or less to be cash equivalents. The carrying amounts reported in the accompanying consolidated balance sheets for cash and cash equivalents approximate their fair value.

Currently $300,000 of certificates of deposits are being used as collateral for the Company's line of credit and are therefore restricted in use.

Accounts Receivable – Management periodically assesses the collectability of the Company's accounts receivable and notes receivable. Accounts determined to be uncollectible are charged to operations when that determination is made.

Inventories – Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method.

Cost of inventories comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of conversion of inventories include fixed and variable production overheads, taking into account the stage of completion.

Intangible Assets and Amortization – Intangible assets represent software and closing costs acquired by the Company and are stated at cost less amortization and impairment, if any. Amortization of software and closing costs is calculated on the straight-line method, based on the period over which the software is licenses or the length of the note from closing on the building.

Goodwill - Goodwill represents the excess of cost over fair value of assets acquired. Goodwill is not subject to amortization but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired, as required by ASC Topic 350, "Intangibles - Goodwill and Other".

Revenue recognition - Revenue from the sale of goods and services is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed and services have been rendered.

Long-lived assets - The Company reviews its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using estimated undiscounted net cash flows to be generated by the asset.

Property, Plant and Equipment - Equipment is recorded at cost and depreciated on the straight-line basis over the following periods:

Computer equipment	3-5 years
Trucks	5 years
Office equipment	5-7 years
Buildings and improvements	7-39 years

Earnings per share - Basic net income (loss) per common share is computed by dividing net earnings (loss) applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options. In periods where losses are reported, the weighted average number of common shares outstanding excludes common stock equivalents, because their exclusion would be anti-dilutive.

Stock-based compensation - The Company accounts for stock-based compensation under the provisions of the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") — 718 Compensation — Stock Compensation. The guidance under ASC 718 requires companies to estimate the fair value of the stock-based compensation awards on the date of grant for employees and directors and record expense over the related service periods, which are generally the vesting period of the equity awards. Awards for consultants are accounted for under ASC 505-50 — Equity Based Payments to

Non-Employees. Compensation expense is recognized over the period during which services are rendered by such consultants and non-employees until completed. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is remeasured using the then-current fair value of the Company's common stock and updated assumption inputs in the Black-Scholes-Merton option-pricing model ("BSM").

The Company estimates the fair value of stock-based option awards to its employees and directors using the BSM. The BSM requires the input of subjective assumptions, including the expected stock price volatility, the calculation of expected term, forfeitures and the fair value of the underlying common stock on the date of grant, among other inputs. The risk-free interest rate was determined from the implied yields for zero-coupon U.S. government issues with a remaining term approximating the expected life of the options or warrants. Dividends on common stock are assumed to be zero for the BSM valuation of the stock options. The expected term of stock options granted is based on vesting periods and the contractual life of the options. Expected volatilities are based on comparable companies' historical volatility, which management believes represents the most accurate basis for estimating expected future volatility under the current conditions. The Company accounts for forfeitures as they occur.

The value of the shares of the Company's common stock underlying its stock-based awards is determined by using the closing stock price on the date of grant for the fair value of the common stock.

Concentration of credit risk – The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

Trade receivables consist of uncollateralized customer obligations due under normal trade terms. Management has established a reserve for doubtful accounts of $60,700 based on trade receivables that may not be fully collectible at September 30, 2021.

Financial Instruments – The carrying value of current assets and liabilities reasonably approximates their fair value due to their short maturity periods.

Income taxes - The Company uses the asset/liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company's policy is to classify the penalties and interest associated with uncertain tax positions, if required, as a component of its income tax provision.

Retirement Benefit Costs – The Company maintains defined contribution 401(k) retirement plans in two subsidiaries Enduro-Tech and EMC.

For the nine months ended September 30, 2021 and 2020, there was pension cost charged to the statements of income under the plans of $38,074 and $35,376, respectively.

Reclassifications – Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

There were updates recently issued, most of which represent technical corrections to the accounting literature or application to specific industries or transactions that are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

3. BUSINESS COMBINATIONS

On February 1, 2020, the Company completed its acquisition of 100% of Celex. The Company paid cash of $325,000.

Celex markets chemicals used in oil and gas drilling and production, including chemicals manufactured by the Company. Celex is located in the Permian Basis in Texas. The Company had sales to Celex of $15,700 in January 2020.

The acquisition was accounted for as a purchase transaction. As required by the applicable guidance in effect at the time of the acquisition, the Company valued all assets and liabilities acquired at their fair values on the date of acquisition. The Company used independent valuation sources in determining these fair values. Accordingly, the assets and liabilities of the acquired entity were recorded at their estimated fair values at the date of the acquisition. The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed, based on their estimated fair values.

	Celex
Inventory	$ 33,700
Total current assets	33,700
Buildings and land	96,800
Equipment	51,800
Vehicles	117,100
Net Assets	299,400
Purchase consideration	325,000
Excess of purchase consideration over net assets (Goodwill)	$ 25,600

Pro-forma financial information

The unaudited pro forma results presented below include the effects of the Company's February 1, 2020 acquisition of Celex as if the acquisition had been consummated as of January 1, 2020. The pro-forma earnings/(loss) for nine months ended September 30, 2021 and 2020, include the additional depreciation and amortization resulting from the adjustments to the value of property and equipment and intangible assets resulting from purchase accounting and a reduction in the interest expense between the companies. However, the pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisitions and merger been consummated as of January 1, 2020.

	Nine months Ended September 30,	
	2021	2020
Revenues	$ 9,985,300	$ 7,328,800
Earnings (loss) from continuing operations	$ 457,800	$ (2,218,300)
Basic and diluted (loss)/earnings from continuing operations per share	$ 0.01	$ (0.04)

4. RELATED PARTY TRANSACTIONS

In the nine months ended September 30, 2021 and 2020, the Company paid $11,100 and $8,500 as sales commissions to a distributor partially owned and controlled by a director of the Company. During the same period, the distributor purchased $25,200 and $28,800 of coatings products from the Company for resale. The sales commissions and resale discounts were comparable to commissions paid and discounts afforded to third party distributors.

5. INVENTORIES

ASC 330-10-35, "Adjustments to Lower of Cost or Market", requires the Company to reduce the carrying value of inventory when there is evidence that the utility of goods will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels or other causes.

As of September 30, 2021 and December 31, 2020, inventories consisted of the following:

	September 30, 2021	December 31, 2020
At cost:		
Raw materials	$ 3,022,900	$ 2,285,300
Finished goods	988,000	705,100
	$ 4,010,900	$ 2,990,400

6. PROPERTY, PLANT AND EQUIPMENT

As of September 30, 2021 and December 31. 2020, property, plant and equipment, stated at cost less accumulated depreciation, consisted of the following:

	September 30, 2021	December 31, 2020
Buildings	$ 2,026,800	2,026,800
Improvements	1,217,600	1,195,500
Equipment	2,758,300	2,545,000
Vehicles and transportation equipment	2,116,500	1,757,300
Furniture and fixtures	277,500	254,000
Software and closing costs	143,100	143,100
	8,539,800	7,921,700
Less: Accumulated depreciation	(3,284,400)	(2,781,800)
	$ 5,255,400	$ 5,139,900

7. SHORT-TERM NOTES PAYABLE

	September 30, 2021	December 31, 2020
Bank loan dated June 10, 2020 due June 10, 2022 with an interest rate of 4.75%	465,300	475,000
	465,300	475,000

8. LONG-TERM NOTES - LESS CURRENT PORTION

	September 30, 2021	December 31, 2020
Vehicle loan dated March 14, 2017 due March 28, 2022 with an interest rate of 0.00%	-	20,700
Vehicle loan dated May 15, 2017 due May 14, 2022 with an interest rate of 6.94%	9,600	17,500
Vehicle loan dated July 31, 2017 due July 31, 2022 with an interest rate of 7.64%	14,700	23,900
Vehicle loan dated August 24, 2017 due September 8, 2022 with an interest rate of 4.49%	15,000	24,100
Vehicle loan dated September 8, 2017 due September 23, 2022 with an interest rate of 4.84%	15,000	24,000
Vehicle loan dated September 28, 2017 due October 12, 2022 with an interest rate of 4.84%	16,300	25,600
Vehicle loan dated October 11, 2017 due October 25, 2022 with an interest rate of 4.49%	12,300	19,300
Vehicle loan dated March 11, 2019 due March 25, 2024 with an interest rate of 9.99%	-	26,700
Equipment loan dated February 28, 2018, due February 28, 2021 with an interest rate of 11.336%	-	2,100
Bank loan dated June 10, 2019 due June 10, 2022 with an interest rate of 7.00%	27,100	45,900
Bank loan dated August 12, 2019 due April 12, 2025 with an interest rate of 6.5%	690,400	690,500
Equipment loan dated November 7, 2019, due November 30, 2024 with an interest rate of 13.26%	14,600	17,800
Bank loan dated 8/27/20, due December 27, 2025 with an interest rate of 6.0%	1,338,400	1,350,000
Bank loan dated September 25, 2021, due September 25, 2026 with an interest rate of 4.5%	63,000	-
Bank loan dated September 25, 2021, due September 25, 2026 with an interest rate of 4.5%	58,200	-

Bank loan dated September 25, 2021, due September 25, 2026 with an interest rate of 4.5%	55,300	-
Payroll protection program loan dated April 12, 2020 due April 12, 2022 with an interest rate of 1%	-	787,000
Payroll protection program loan dated April 6, 2021 due April 6, 2023 with an interest rate of 1%	787,000	-
	3,116,900	3,075,100
Less current portion of notes payable	(231,600)	(225,900)
	$ 2,885,300	$ 2,849,200

On April 14, 2020, the Company received a $787,000 loan under the U.S. Small Business Administration's Paycheck Protection Program (the "PPP"), which was authorized under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). On June 23, 2021 the Company's application for loan forgiveness was approved, the $787,000 forgiveness is included in other income in the Consolidated Income Statements for the three and nine months ended September 30, 2021.

On April 6, 2021, the Company received a second PPP loan in the amount of $787,000. The PPP is designed to assist qualified small businesses with employee payroll costs and rent and mortgage obligations. A borrower may qualify for loan forgiveness subject to certain requirements, including the retention of employees and the application of 75% or more of the loan proceeds to payroll costs within the covered period. The Company is closely tracking proceed expenditures and other compliance matters and believes that it will qualify for loan forgiveness on these loans.

9. SHARE-BASED PAYMENT AWARDS

The Company's board of directors and shareholders approved the EES 2018 Equity Incentive Plan in June 2018 (the "2018 Plan"), which authorized the issuance of up to 5,000,000 shares of the Company's common stock. There were 2,535,917 shares available for future issuance under the 2018 Plan as of September 30, 2021.

Restricted Stock Awards	Number of Shares
Unvested as of December 31, 2020	756,916
Issued	-
Vested	(248,333)
Forfeited/Cancelled	(109,584)
Unvested as of September 30, 2021	398,999

The weighted average grant date value of the restricted stock award issued was nil and $0.11 during the period ended September 30, 2021 and 2020 respectively. The fair value of the restricted stock awards vested during the period ended September 30, 2021 and 2020 was $46,900 and $99,400, respectively.

10. EARNINGS PER SHARE

Accounting guidance requires a reconciliation of the numerator and denominator of the basic and diluted earnings per share (EPS) computations. The following reconciles the components of the EPS computation for the three months ended September 30, 2021 and 2020:

		2021		2020
Basic and Diluted loss per share computation				
Numerator:				
Net loss	$	(223,200)	$	(634,700)
Denominator:				
Weighted average common shares outstanding		53,559,051		53,377,963
Basic loss per share	$	(0.00)	$	(0.01)

The following reconciles the components of the EPS computation for the nine months ended September 30, 2021 and 2020:

		2021		2020
Basic and Diluted (loss) per share computation				
Numerator:				
Net income (loss)	$	457,800	$	(2,455,500)
Denominator:				
Weighted average common shares outstanding		53,570,107		52,613,438
Basic income (loss) per share	$	0.01	$	(0.05)

11. FINANCIAL LEASES

		September 30, 2021		December 31, 2020
Vehicle/equipment leases with terms of 30 to 36 months	$	298,500	$	152,200
Less current portion		(127,700)		48,300
	$	170,800	$	103,900

12. OPERATING LEASES

The Company leases an office and warehouse in Cleveland, Oklahoma for $2,000 per month expiring in February 2023. The Company leases an office and warehouse in Canadian, Texas, for $650 per month expiring in September 2022. The Company leases an office in Oklahoma City, Oklahoma, for $2,722 per month expiring in March 2022. The Company leases and office and warehouse in Ada, Oklahoma for $2,000 per month expiring in August 2026. The Company also leases various office and warehouse space under month to month leases. Total rent expense for the nine months ended September 30, 2021 and 2020, were $90,200 and $51,600, respectively. Future minimum lease payments over the next five years are as follows:

2021	22,100
2022	62,000
2023	28,000
2024	24,000
2025	24,000
2026	16,000
	$176,100

13. CONTINGENCIES

In the normal course of its operations, the Company may, from time to time, be named in legal actions seeking monetary damages. While the outcome of these matters cannot be estimated with certainty, management does not expect, based upon consultation with legal counsel, that they will have a material effect.